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ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1967

WILLROY MINES LIMITED
and
WILLECHO MINES LIMITED

ASSOCIATE



THE LITTLE LONG LAC GOLD MINES LIMITED

WILLROY MINES LIMITED

OFFICERS	J. C. L. ALLEN - - - - - <i>President</i> R. C. STANLEY, Jr. - - - - - <i>Vice-President</i> A. G. WILSON - - - - - <i>Secretary</i> D. M. LORIMER - - - - - <i>Comptroller</i>
DIRECTORS	J. C. L. ALLEN P. A. ALLEN, P.Eng. J. D. BRYCE, P.Eng. D. M. GIACHINO, P.Eng. P. K. HANLEY R. C. STANLEY, Jr.
MINE MANAGER	J. I. JARVIS, P.Eng.
TRANSFER AGENTS	The Sterling Trusts Corporation, Toronto, Ontario
AUDITORS	McDonald, Currie & Co., Toronto, Ontario
EXECUTIVE OFFICE	Suite 400, 112 King Street West, Toronto, Ontario



WILLROY MINES LIMITED

Suite 400, 112 King Street West
Toronto 1, Ontario

Interim Report for the Six Months Ended June 30, 1967

TO THE SHAREHOLDERS:

The following estimated unaudited statements exhibit the results of the operations of your Company for the six months ended June 30, 1967. Because of the amalgamation with Norlartic Mines Limited, which became effective on June 1, 1966, comparative figures for the similar period in the preceding year have not been included herewith.

STATEMENT OF EARNINGS For the Six Months Ended June 30, 1967

Tons milled	76,691
Metals produced	
Lead	190,104 lbs.
Zinc	4,462,699 lbs.
Copper	791,416 lbs.
Silver	55,555 ozs.
Gold	161 ozs.
REVENUE	
Net smelter returns	\$ 642,782
Other	22,261
	<hr/>
	\$ 665,043
Operating costs	636,311
	<hr/>
Profit before the following	\$ 28,732
Provision for depreciation and amortization of deferred development expenditures	303,834
	<hr/>
	\$ (275,102)
Investment income	13,975
	<hr/>
	\$ (261,127)
Provincial mining tax	3,550
	<hr/>
Net loss for the period	\$ 264,677

WILLROY MINES LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1967

SOURCE OF FUNDS

From operations after adding back non-cash items	\$ 39,157
Repayment of debt — Willecho Mines Limited	171,040
Sale of fixed assets (net)	8,748

\$ 218,945

APPLICATION OF FUNDS

Dividends paid	\$ 128,377
Deferred development expenditures	70,281
Advance — Big Nama Creek Mines Limited	38,080
Advance — Slimlake Mines Limited	24,177
Reduction of mortgage loans	86,888
Special refundable tax	9,761
Other	5,969

363,533

Decrease in working capital	\$ 144,588
Working capital January 1, 1967	1,868,759
Working capital June 30, 1967	<u>\$1,724,171</u>

WILLROY MINES LIMITED

The following results of Willecho Mines Limited, in which your Company holds a 50% interest, are submitted for your information.

WILLECHO MINES LIMITED

STATEMENT OF INCOME

For the Six Months Ended June 30, 1967

(With Comparative Figures for the Six Months ended June 30, 1966)

	1967	1966
Tons milled	173,446	160,963
Metals produced		
Lead	529,866 lbs.	558,936 lbs.
Zinc	10,347,211 lbs.	13,546,435 lbs.
Copper	1,812,247 lbs.	1,645,312 lbs.
Silver	187,218 ozs.	195,765 ozs.
Gold	366 ozs.	298 ozs.
Revenue — Net smelter returns	\$1,571,558	\$1,797,486
Operating expenses	1,179,437	1,036,576
Operating profit before the undernoted	\$ 392,121	\$ 760,910
Provision for depreciation and amortization of preproduction and deferred development expenditures	241,616	221,914
Provincial mining tax	\$ 150,505 22,400	\$ 538,996 39,000
Net income for the period	<u>\$ 128,105</u>	<u>\$ 499,996</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1967

(With Comparative Figures for the Six Months ended June 30, 1966)

	1967	1966
SOURCE OF FUNDS		
Net income after adding back items not involving an outlay of cash	\$ 369,721	\$ 721,910
APPLICATION OF FUNDS		
Deferred development expenditures	\$ 144,663	\$ 163,032
Repayment of debt — Willroy Mines Limited	171,040	525,764
Fixed asset purchases (net)	78,090	38,195
Special refundable tax	21,197	5,292
Other items	7,222	—
	<u>\$ 422,212</u>	<u>732,283</u>
Decrease in working capital	\$ 52,491	10,373
Working capital January 1	221,102	221,127
Working capital June 30	<u>\$ 168,611</u>	<u>\$ 210,754</u>

WILLROY MINES LIMITED

The net loss shown in the Willroy Interim Report for the six months period and reduced income to Willecho were due to the following factors:—

- (a) Lower prices received for copper and zinc.
- (b) Heavily increased exploration and development expenditures and in addition, a rise in general costs including wage increases.
- (c) Treating lower grade ore and a lower daily output rate at Willroy of 76,691 tons versus 123,000 tons for the same period in 1966.

On August 11, word was received that the strike which has been in effect since early in April at the Matthiessen & Heggeler Zinc Company smelter in West Virginia had been settled. Normal shipments are to be resumed as of September first. Also, the backlog of 9,000 tons of concentrates at Port Maitland, Ont., accumulated since the start of the strike, will be progressively shipped to the smelter.

On August 16, Mr. J. I. Jarvis, Mine Manager, reported that drill hole No. 16E52 going out in a northeasterly direction from the 16th level (2600 ft.) or bottom of Willroy had intersected three ore zones as follows:

From	To	Core Length	Estimated True Width	% Copper	% Zinc	% Lead	Oz./ton Silver	Estimated Net Smelter Return
323.5	337.5	14.0	8.0	0.78	5.70	0.24	1.47	\$10.98
419.8	447.8	28.0	15.0	0.46	9.49	0.20	1.56	\$12.32
473.2	505.6	32.4	14.0	0.22	7.50	0.32	1.40	\$ 9.16

Further drilling is being carried out and a drive has been started to explore and develop the new zones. These results are most gratifying and more than justify the heavily increased outlays for exploration in search of further ore occurrences.

On behalf of the Board,

J. C. L. ALLEN,
President.

August 25, 1967.

WILLROY MINES LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS:

To the Shareholders of
WILLROY MINES LIMITED.

Your directors submit herewith the financial statements for the period ended December 31, 1967, together with the auditors' report thereon. Also included are the report of the mine manager and the report of the manager of Willecho Mines Limited in which your company holds a 50% interest and whose ore is milled on a custom basis by Willroy.

You will note in the reports of the respective managers the grades of ore treated were lower and the costs were higher at both properties. However, due to systematic mining procedures this could not be avoided. In the case of Willroy, it was necessary to concentrate on pillar recoveries from the upper part of the No. 3 zone. This also resulted in higher mining costs. In the case of Willecho, it was anticipated that the 1000 level ore would be below mine average grade. This has proved to be the case and also due to narrow widths increased the operating costs. The Willecho costs were also higher, due to increased development costs necessary to expose the better-grade ore sections for mining on the lower levels.

It is expected that future mine grades should improve by June 1968.

Profits were also affected by strikes in the lead and zinc smelters handling the company's concentrates, and the lower zinc prices.

During the year, a long exploration drive on Willroy's bottom 2600' level was pushed north with the intention of exploring on the Slimlake Mines Limited ground the projected downward extension of the Big Nama Creek ore zone. Diamond drilling from this drive has indicated a new ore zone on the Willroy property, now known as No. 7 zone. Since year end, this zone has been partially opened by a drift. However, much more diamond drilling remains to be done before this valuable addition to the Willroy reserves can be fully assessed.

After paying a dividend of three cents a share in the first quarter of 1967 and the forecasted lower earnings, your directors were obligated to suspend payments of dividends. Future dividends will be entirely dependent upon the earnings of the company.

Your directors take this opportunity of expressing their appreciation to Mr. Jarvis and Mr. Toivanen, the staff, and all the employees for their loyal and efficient services.

Respectfully submitted,

On behalf of the Board,

JOHN C. L. ALLEN,
President.

March 29, 1968

WILLROY MINES LIMITED

February 12, 1968.

Report of the Mine Manager

To the President and Board of Directors,
WILLROY MINES LIMITED.

Dear Sirs:

I submit herewith a report on the Company's operations at Manitouwadge for the year ended December 31, 1967.

PRODUCTION

Tonnage treated was down slightly from the previous year, the total being 503,490 tons for the year for an average milling rate of 1,379 tons per calendar day. Of this amount, 338,437 tons, or 67%, were milled for Willecho Mines Limited on a custom basis. To obtain greater efficiency of operations, the bulk of the tonnage from the Willroy mine was derived from the remnant reserves in the No. 3 zone. The remaining tonnage was drawn from previously broken ore in the copper zones. Percentages taken from all zones, including development from the new No. 7 zone, are shown in the following table:

<u>Ore Zone</u>	<u>Tons of Mill Feed</u>	<u>% of Mill Feed</u>
1	16,768	3.3
3	143,964	28.6
6	2,401	.5
7 (16-1 N Crosscut)	1,920	.4
Willecho	338,437	67.2
TOTAL	503,490	100.0%

The grade of the Willroy tonnage milled ran 0.66% copper, 3.33% zinc, 0.12% lead and 1.25 ounces of silver. Concentrate production amounted to 192 cars made up of 60 cars of copper, 125 cars of zinc and 7 cars of lead. This yielded a gross value of \$2,177,458 and a Net Smelter Return of \$1,450,584.

Contained metals along with the return values, are shown:

	<u>Metal Production</u>	<u>Net Smelter Return</u>
Zinc	9,063,632 pounds	\$ 508,615
Copper	1,866,746 pounds	736,079
Lead	330,446 pounds	22,947
Silver	114,431 ounces	172,417
Gold	325 ounces	10,526
		<u>\$1,450,584</u>

COSTS

Both unit and overall operating costs were higher as a result of more difficult and costly salvage operations, increased labour and supply costs and the lower tonnage divisor.

	<u>Cost per ton Milled</u>	
	<u>1967</u>	<u>1966</u>
Development	\$.24	\$.27
Mining	4.38	3.89
Milling	1.35	1.21
Administration and General	1.03	.88
	<u>\$ 7.00</u>	<u>\$ 6.25</u>

EXPLORATION AND DEVELOPMENT

During the past year, the 16 Level exploration drift (2,600 feet below collar) was continued for 1,794 feet in a northwesterly direction to a point 2,020 feet from the Willroy shaft and 596 feet into Slimlake ground. Routine diamond drilling from this heading disclosed a flat-lying mineralized zone located 1,000 feet due north of the shaft which, from preliminary drilling results, indicated 3 lenses with potentially mineable widths ranging from 10 to 17 feet and an average grade of \$9.00 per ton at present metal prices. A 711 foot crosscut driven to, and traversing, the lenses confirmed the previous drilling at the level horizon but considerable up and down drilling will be required before the full implications of the new zone can be evaluated.

One surface assessment hole was drilled to a depth of 3,006 feet on Willroy's north group of claims, this footage being sufficient to bring these 15 claims to the lease stage. No economic sulphides of consequence were encountered.

Three holes were drilled from the 10-1 W drift face for exploration purposes. Of the two holes drilled northward to probe the downdip extension of the Big Nama Creek zone, one hole intersected a 13.7 foot section of low grade economic mineralization at 850 feet while the second hole cut a 6.5 foot length of core assaying 2.09% copper at a depth of 1,300 feet. The remaining hole drilled to the south did not intersect anything of economic significance.

Detailed drilling from the No. 3 zone sublevels above the 16 Level outlined a large bulge in the ore which significantly increased the reserves in this area.

EXPLORATION AND DEVELOPMENT — BIG NAMA CREEK PROPERTY

The terms of the option agreement with Big Nama Creek for the past year were fulfilled by the end of May with Pre-production expenses exceeding requirements.

Clearing of approximately 3 acres of bush over the ore zone was carried out in the Spring and with the disappearance of the snow, installation of the power and compressed air lines were commenced. By the end of June, 1,700 feet of high voltage transmission line had been erected from the power source on the Willecho road and slightly over 6,800 feet of 8" steel pipe, extending from the Willroy compressor plant to the Big Nama workings, had been laid on blocks adjacent to the access road. This line will provide a potential 3,000 c.f.m. of compressed air at 90 p.s.i. for future operations. Water for drilling purposes will be obtained from the small water flow through the property.

Grouting of the diamond drill holes continued throughout the summer months after which site clearing and stripping of approximately one acre of overburden was carried out to establish the collar of the inclined adit.

During the month of November, excavation of the adit portal was in progress and at the time of discontinuance due to unfavourable weather, an open cut 15 feet wide by 65 feet slope distance at a grade of -11° had been established.

ORE RESERVES

At December 31, 1967, the total broken, proven and indicated reserves at the Willroy mine stood at 505,952 tons distributed as follows:

<u>Zone</u>	<u>Tonnage</u>	<u>% Cu</u>	<u>% Zn</u>	<u>% Pb</u>	<u>Oz. Ag</u>
1	171,473	1.67	0.05	—	0.40
3	217,230	1.05	3.73	0.03	0.80
6	117,249	2.61	1.25	TR	0.89
Total and Average	505,952	1.62	1.91	0.01	0.68
Nama Creek Option	828,000	0.79	3.25	—	0.75
Grand Total	1,333,952	1.10	2.74	0.004	0.72

MINING

Underground production from the Willroy operation was 25% over scheduled commitments and mining costs, although higher than 1966 figures, were well below estimates. Most of the No. 3 zone tonnage was obtained from the remnant reserves between surface and the 6th level. These short and narrow sections required a large amount of stope preparation. The 16 level stopes were under development throughout the year and by the end of December, were nearing the production phase. The remaining tonnage was drawn from the previously broken reserves in the east end copper zones.

Underground work for 1967 and to date is summarized below:

DEVELOPMENT

<i>Year</i>	<i>Shaft Sinking Feet</i>	<i>Dr. & X-cuts Feet</i>	<i>Raises Feet</i>	<i>Other Excav. Tons</i>	<i>Diamond Drilling Surface Feet</i>	<i>U/G Feet</i>
1955-66	3,385	46,667	8,325	69,103	115,372	343,408
1967	—	2,126	—	685	3,006	21,632
	<u>3,385</u>	<u>48,793</u>	<u>8,325</u>	<u>69,788</u>	<u>118,378</u>	<u>365,040</u>

STOPING AND STOPE PREPARATION

<i>Year</i>	<i>Dr. & X-cuts Feet</i>	<i>Sub Drifts Feet</i>	<i>Raises Feet</i>	<i>Other Excav. Tons</i>	<i>Stoping Tons</i>
1955-66	6,089	29,336	24,635	31,933	3,132,538
1967	965	2,757	1,941	3,170	152,196
	<u>7,054</u>	<u>32,093</u>	<u>26,576</u>	<u>35,103</u>	<u>3,284,734</u>

MILLING

During the year under review, copper recovery improved slightly whereas recoveries of zinc, lead and silver were down. In general, the mill heads were lower in grade and more difficult to treat. Plant changes were largely routine and although running time was down, this was due to the preventative maintenance program and lower tonnage requirements.

Silver flotation was the most pressing problem and most of the year's research efforts and resources were directed toward improving silver recovery. In addition to the plant research facilities, two outside laboratories were engaged to assist in the work which is continuing.

As of December 31, a total of 4,801,966 tons have been treated in the concentrator since it went into operation on July 22, 1957. Of this amount, 3,807,958 tons were produced from the Willroy mine and 994,008 tons from the Willecho property.

Comparison tables for the past two years are shown below:

1967

Average Daily Tonnage — 1,379 Tons

Mill Operating Time — 85.1%

	ASSAYS				RECOVERIES			
	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>	<i>Ag</i>	<i>Cu</i>	<i>Pb</i>	<i>Zn</i>
Heads	1.69	.60	.17	3.46	100.0	100.0	100.0	100.0
Copper Conc.	34.17	22.18	.78	7.55	46.2	84.2	10.7	5.0
Lead Conc.	50.95	3.79	42.18	6.84	9.5	2.0	79.8	.6
Zinc Conc.	1.71	.36	.21	53.73	5.4	3.2	6.8	83.2
Tails	.72	.07	.005	.42	38.9	10.6	2.7	11.2
Payable Recoveries					55.7	86.2	79.8	83.2

1966

Average Daily Tonnage — 1,493 Tons

Mill Operating Time — 90.0%

ASSAYS

	<u>Ag</u>	<u>Cu</u>	<u>Pb</u>	<u>Zn</u>
Heads	1.93	.62	.23	3.52
Copper Conc.	52.49	24.34	1.08	5.95
Lead Conc.	46.30	4.28	41.43	6.33
Zinc Conc.	1.45	.48	.09	54.57
Tails57	.07	—	.34
Payable Recoveries				

RECOVERIES

<u>Ag</u>	<u>Cu</u>	<u>Pb</u>	<u>Zn</u>
100.0	100.0	100.0	100.0
56.5	82.0	9.6	3.5
11.9	3.4	88.3	.9
4.2	4.3	2.1	86.8
27.4	10.3	—	8.8
68.4	85.4	88.3	86.8

CAPITAL EXPENDITURES

There were no major capital purchases during the year. Items of a minor nature required to supplement or replace existing equipment included mine cars, utility hoists and a few rock-drills for the Mine Department. Two ½ ton pickup trucks for servicing of surface operations were traded on new vehicles.

Two polarographs were purchased to expedite and improve assay procedures and a duplicate mill tailings disposal pipeline was installed in parallel with the original system.

GENERAL

The number of people employed on Willroy operations at year end showed a small increase from 295 to 298. This number includes 95 personnel at Willecho and 41 contractors, caterers and security police. Turnover during the year was lower with an average of 7.77% per month and peaks of up to 12% during the months of May, June and October. Experienced miners are in very great demand and efforts to recruit deficiencies have been undertaken in West Germany.

A wage increase of 4% was introduced on September 18 in accordance with the 3-year Collective Agreement signed with the United Steelworkers of America in 1966. Relations with the employees and with the Union are good.

Expenditures during the year included \$1,912,000 in wages, \$1,928,000 in supplies and services, \$1,688,000 in smelter charges and \$395,000 for freight.

The frequency of compensable accidents increased during 1967 to 31.6 per million man hours but none of the injuries sustained were of a serious or permanent nature. The Willroy Mine Rescue Team competed for, and won, the Thunder Bay District Championship and in Provincial competition, placed second.

Two bursary awards were established for students of the local high school who plan on continuing their education beyond the high school level. Preference will be given to students enrolled in Mineral Engineering courses and the first presentations will be made in June 1968.

Copper concentrates produced in 1967 were shipped to Noranda and zinc concentrates to Sherbrooke Metallurgical Company at Port Maitland. Lead concentrates, because of the strike at the ASARCO smelter, were initially retained on the property until arrangements could be made for stockpiling at their plant at East Helena, Montana, U.S.A. Payments for concentrates in stockpile at smelters is contingent upon the rate at which they are processed.

In conclusion, I wish to express my appreciation to the Assistant Manager, General Superintendent and the entire staff and employees for their loyalty and diligence during this year past. At the same time, I acknowledge with thanks, the leadership and able assistance of the President, Vice-President and Board of Directors.

Respectfully submitted,

JOHN I. JARVIS,

Mine Manager.

WILLROY M

Balance Sheet

ASSETS

	1967	1966
	\$	\$
CURRENT ASSETS:		
Settlements receivable and concentrates in transit — at estimated realizable value (part of which is assigned as collateral security on the bank loan)	1,835,280	1,490,870
Receivable under the Emergency Gold Mining Assistance Act	19,560	126,157
Accounts receivable	24,352	21,765
Due from associated company	56,734	4,550
Marketable securities — at cost (quoted market value \$274,500) (pledged as collateral for bank loan)	290,209	535,818
Prepaid expenses	39,195	64,760
Materials and supplies — at cost	346,476	335,369
	<u>2,611,806</u>	<u>2,579,289</u>
FEDERAL SPECIAL 5% REFUNDABLE TAX	19,238	9,477
	<u>2,631,044</u>	<u>2,588,766</u>
INVESTMENTS AND ADVANCES:		
Shares of associated companies — at cost (notes 2, 3 and 6)	680,632	599,633
7¼% mortgage receivable — Willecho Mines Limited	419,583	432,083
Advances to associated and other companies	1,650,366	1,715,835
	<u>2,750,581</u>	<u>2,747,551</u>
FIXED ASSETS — at cost:		
Buildings, plant and equipment	7,566,557	7,712,370
Accumulated depreciation	7,056,419	6,975,597
	<u>510,138</u>	<u>736,773</u>
Mining properties	175,264	175,264
	<u>685,402</u>	<u>912,037</u>
OTHER ASSETS AND DEFERRED EXPENDITURE:		
Development expenditure — at cost, less amounts written off	362,476	508,756
Railway spur line — at cost, less amounts recovered	41,857	57,657
	<u>404,333</u>	<u>566,413</u>
	<u>6,471,360</u>	<u>6,814,767</u>

AUDITORS' REPORT

We have examined the balance sheet of Willroy Mines Limited as at December 31, 1967 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, March 4, 1968.

WILLECHO MINES LIMITED

at December 31, 1967

LIABILITIES

	1967 \$	1966 \$
CURRENT LIABILITIES:		
Bank loan — secured	596,000	204,000
Bank overdraft	1,485	127,943
Accounts payable and accrued liabilities	337,380	423,006
Provision for taxes	2,428	15,600
Settlements payable — Willecho Mines Limited	267,122	306,395
Due to associated companies	—	10,007
	<u>1,204,415</u>	<u>1,086,951</u>
 LONG-TERM DEBT:		
Mortgage loans on employees' residences	<u>187,625</u>	<u>279,021</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4):		
Authorized —		
6,000,000 shares without par value		
Issued —		
4,279,244 shares	4,279,244	4,279,244
Discount thereon	1,495,017	1,495,017
	<u>2,784,227</u>	<u>2,784,227</u>
RETAINED EARNINGS	2,295,093	2,664,568
	<u>5,079,320</u>	<u>5,448,795</u>

Approved on behalf of the Board:

J. C. L. ALLEN, Director.

R. C. STANLEY, Jr., Director.

<u>6,471,360</u>	<u>6,814,767</u>
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THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

WILLROY MINES LIMITED

Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1967

	1967 \$	Combined operations for the year ended December 31, 1966 (note 1) \$
REVENUE:		
Base metal operations	2,177,458	2,917,141
Custom milling operations (note 6)	37,765	30,131
Bullion recovery	—	720,068
	2,215,223	3,667,340
Less: Marketing, smelting and refining charges	726,874	840,551
	1,488,349	2,826,789
Assistance under the Emergency Gold Mining Assistance Act	—	195,599
	1,488,349	3,022,388
EXPENDITURE:		
Development	38,976	60,695
Mining	722,890	1,318,502
Milling	222,388	456,190
Mine office administration and general	170,545	279,310
	1,154,799	2,114,697
PROFIT BEFORE THE FOLLOWING	333,550	907,691
Deduct:		
Head office administration and general	94,027	115,049
Interest (net)	4,674	54,053
Provision for depreciation	222,394	242,200
Deferred development expenditures written off	235,007	366,522
Mining taxes	544	15,212
Amalgamation expenses	—	39,597
Outside exploration	33,558	8,641
	590,204	841,274
	(256,654)	66,417
OTHER REVENUE:		
Dividend income	9,076	40,145
Profit on disposal of assets at shut-down Norlartic Division (net)	24,852	—
	33,928	40,145
	(222,726)	106,562
PROVISION FOR INCOME TAXES	—	16,405
NET EARNINGS (LOSS) FOR THE YEAR	(222,726)	90,157
RETAINED EARNINGS — BEGINNING OF YEAR	2,664,568	
	2,441,842	
Less: Dividends paid	128,377	
Loss on sale of investments	18,372	
	146,749	
RETAINED EARNINGS — END OF YEAR	2,295,093	

WILLROY MINES LIMITED

Statement of Source and Use of Funds

For the Year Ended December 31, 1967

SOURCE OF FUNDS:	\$	\$
Net loss for the year		222,726
Deduct: Charges not requiring cash outlay —		
Provision for depreciation	222,394	
Deferred development expenditures written off	235,007	457,401
		234,675
Proceeds of sale of fixed assets less amount included in profit on disposal of assets at shut-down Norlartic Division		47,048
Repayment of mortgages by Willecho Mines Limited		12,500
Recovery on railway spur line		15,800
Repayment of advances (net)		65,469
		375,492
Deduct: Loss on sale of marketable investments		18,372
		357,120
 USE OF FUNDS:		
Dividend paid	128,377	
Development expenditure	88,728	
Repayment of mortgage loans on employees' residences	91,396	
Federal special 5% refundable tax	9,761	
Investment in shares of associated companies	80,999	
Additions to fixed assets	42,806	442,067
DECREASE IN WORKING CAPITAL		84,947
WORKING CAPITAL — BEGINNING OF YEAR		1,492,338
Decrease in working capital		84,947
WORKING CAPITAL — END OF YEAR		1,407,391

Notes to Financial Statements

For the Year Ended December 31, 1967

- On June 1, 1966, under the provisions of Section 96 of The Corporations Act (Ontario), letters patent were issued to Willroy Mines Limited confirming the statutory amalgamation of Norlartic Mines Limited and Willroy Mines Limited. Upon amalgamation all the outstanding shares of the amalgamating companies were converted into 4,279,244 shares of the company. The combined operating results for the full year covering the operations of Willroy Mines Limited and the predecessor companies are presented for information purposes only and are unaudited.
- The company's direct share (50%) of the 1967 earnings of Willecho Mines Limited amounted to \$101,000 and its direct share of the undistributed accumulated earnings from date of acquisition to December 31, 1967 amounted to \$656,000. These amounts are not reflected in these statements.
- The investment in shares of associated companies includes marketable shares at a cost of \$457,595 which had a quoted market value of \$213,201 at December 31, 1967. This latter amount is not indicative of the value of these holdings which may be more or less than that indicated by market quotations.
- The company has granted options to employees to purchase 80,000 shares at \$.80 per share over a five year period expiring on November 17, 1972.
- The remuneration of directors and senior officers as defined by The Corporations Act amounted to \$78,215 in 1967, made up as follows:

Directors' and officers' remuneration	\$ 22,800
Salaries of mine personnel	55,415
	<u>78,215</u>
- For comparative purposes certain securities shown as current assets in 1966 have been reclassified as investments. Revenue from custom milling operations is now included with revenue from operations and the 1966 balances have been reclassified to reflect this practice.

WILLECHO MINES LIMITED

Report of the Manager

February 13, 1968.

The President and Board of Directors,
WILLECHO MINES LIMITED,
112 King Street West,
TORONTO, Ontario.

Dear Sirs:

The following is a report on the operations of Willecho Mines at Manitouwadge for the year 1967.

PRODUCTION

Total ore mined and delivered to the Willroy concentrator for processing amounted to 338,437 tons grading 0.58% cu., 3.52% Zn., 0.19% Pb., and 1.91 oz. Ag. The stopes above the 400 level horizon provided 54% of the total ore for mill feed. Due to geological problems and low grade, the newly developed 1000 level stopes produced only 24,400 tons of ore during the year.

From the ore delivered to the Willroy mill the concentrates produced had the following metal content.

Zn	19,594,001 pounds
Cu	3,341,132 pounds
Pb	1,128,514 pounds
Ag	359,992 ounces
Au	673 ounces

These concentrates valued at \$4,592,789 produced a net smelter return of \$3,066,016, equal to \$9.06 per ton milled.

Operating costs increased by 7¼% from the previous year. This was mainly due to an intensified development program in order to open up stoping areas in the "D" zone and because of higher milling costs.

Operating costs compare as follows:

	1967	1966
Exploration and Development	\$.52	\$.36
Mining	3.67	3.60
Milling	1.46	1.32
Administration and General	1.13	1.04
	<u>\$ 6.78</u>	<u>\$ 6.32</u>

DEVELOPMENT AND MINING

Production results from developing the 1000 level were disappointing. Narrow ore widths and lower grades made it difficult to establish satisfactory stoping areas. To offset these results, it was necessary to develop additional ore on the upper levels. It was possible to extend production from these established levels through 1967 since mineable ore has been found in several stratigraphic horizons. Above the 400 level, mining of zones "B", "C" and "D" was in progress. On the 700 and 850 levels development and mining of the "D" zone was carried on.

The higher rate of production from these lower grade areas reduced the overall mine grade below that which was forecasted.

The open stope mining methods have remained essentially the same. Broken ore is slushed to mill holes, trammed to the ore pass, hoisted and then trucked to Willroy Mines. Through experience gained and skills developed, mining costs have remained virtually the same despite narrower ore thickness mined.

In order to improve future mine grade and maintain tonnage, the development of levels below the 1000' horizon was initiated. An incline drive 8' x 18' in cross section and sloping at —14 degrees was advanced 1,535 feet. When completed to approximately 1,850 feet the development of three mining levels below 1000' level is possible. Diamond drilling has indicated that improved grades and thicker ore section can be expected from these new levels.

Development advances and other excavations for the year are tabulated below.

DEVELOPMENT

<i>Year</i>	<i>Shaft Sinking Feet</i>	<i>Drifts & X-Cuts Feet</i>	<i>Raises Feet</i>	<i>Incline Dev. Feet</i>	<i>Other Excav. Tons</i>	<i>Diamond Drilling Surface Feet</i>	<i>U/G Feet</i>
1963-66	1,361	8,596	2,411		22,192	80,523	98,592
1967		3,385	117	1,810	4,097	2,434	48,117
Total	1,361	11,981	2,528	1,810	26,289	82,957	146,709

STOPE PREPARATION AND STOPING

<i>Year</i>	<i>Drifts & X-Cuts Feet</i>	<i>Sub- Drifts Feet</i>	<i>Raises Feet</i>	<i>Other Excav. Tons</i>	<i>Stoping Tons</i>
1963-66	40	2,505	12,626	13,742	556,216
1967	16	818	6,418	5,648	302,812
Total	56	3,323	19,044	19,390	859,028

EXPLORATION AND ORE RESERVES

No significant surface exploration work was undertaken during the year. Seven diamond drill holes totalling 2,434 feet were drilled to investigate geophysical anomalies. Results were negative and no economic values were discovered. Underground diamond drilling was confined to outlining additional ore from previously developed workings above the 1000 level. Total proven and indicated ore reserves down to 1,350 feet horizon at the end of the year have been calculated as 2,163,000 tons grading 0.50% Cu., 4.43% Zn., 0.18% Pb., and 1.98 oz. Ag. The above is 117,000 tons less than a year ago but the grade is slightly higher.

CAPITAL EXPENDITURES AND GENERAL

To expedite the driving of the 1000 level incline a diesel powered Wagner Model ST-5A Scoop-Tram was purchased. This is a 4 wheel drive, 5 cu. yd., loading and hauling unit. In addition a diesel powered Jeep was also purchased to service the men working down the incline. Other capital expenditures were the replacement of 24 rock drills, an additional 50 H.P. Joy electric slusher with 60" Pacific scraper and the lagging of the main hoist for 1" diameter ropes.

The total work force was up from previous year due to the accelerated development programs. At times contractors were engaged in development projects but the major development and production work was done by Willroy employees. At year end the number of Willroy employees was 95. Of this total 8 men were employed in the 1000 level incline. As Willroy Mines is supplying the labour, supervision and administration for the Willecho Mines, I wish to express my appreciation to the Willroy personnel for the efficient and diligent manner in which they have conducted these operations.

Respectfully submitted,

J. TOIVANEN,

Manager.

WILLECHO M

Balance Sheet as at

ASSETS

	1967 \$	1966 \$
CURRENT ASSETS:		
Cash	58	3,703
Due from associated company	—	6,000
Settlements receivable and concentrates in transit	267,122	306,395
Prepaid expenses	1,072	—
	<u>268,252</u>	<u>316,098</u>
FEDERAL SPECIAL 5% REFUNDABLE TAX	<u>42,357</u>	<u>21,160</u>
FIXED ASSETS — at cost:		
Buildings and equipment	1,871,975	1,668,311
Apartment building — pledged as security for mortgage payable	440,406	440,406
	<u>2,312,381</u>	<u>2,108,717</u>
Accumulated depreciation	747,128	487,042
	<u>1,565,253</u>	<u>1,621,675</u>
Mining properties	100,000	100,000
	<u>1,665,253</u>	<u>1,721,675</u>
OTHER ASSETS AND DEFERRED EXPENDITURE:		
Preproduction and development expenditure — at cost, less amounts written off	1,392,521	1,322,100
Incorporation expense	4,985	4,985
	<u>1,397,506</u>	<u>1,327,085</u>
Approved on behalf of the Board:		
R. C. STANLEY, Jr., Director.		
P. K. HANLEY, Director.		
	<u>3,373,368</u>	<u>3,386,018</u>

AUDITORS' REPORT T

We have examined the balance sheet of Willecho Mines Limited as at December 31, 1967 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

TORONTO, March 4, 1968.

MINES LIMITED

December 31, 1967

LIABILITIES

CURRENT LIABILITIES:	1967 \$	1966 \$
Accounts payable and accrued liabilities	42,241	34,906
Mortgage interest payable	1,683	7,390
Provision for mining taxes	8,500	42,700
Current portion of mortgage payable	10,000	10,000
	<u>62,424</u>	<u>94,996</u>
MORTGAGE PAYABLE — 7¼% — to Willroy Mines Limited — less current portion included above — repayable \$10,000 annually, balance due October 1969 —	409,583	422,083
ADVANCE FROM WILLROY MINES LIMITED	<u>1,389,478</u>	<u>1,558,899</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK:

Authorized —		
3,000,000 shares with a par value of \$1 each		
Issued and fully paid —		
3,000,000 shares	3,000,000	3,000,000
Discount thereon	2,799,995	2,799,995
	<u>200,005</u>	<u>200,005</u>
RETAINED EARNINGS	1,311,878	1,110,035
	<u>1,511,883</u>	<u>1,310,040</u>
	<u>3,373,368</u>	<u>3,386,018</u>

NOTE: The company has been granted an exemption under section 83(5) of the Income Tax Act in respect of income derived from mining operations covering the period from January 1, 1965 to December 31, 1967.

THE SHAREHOLDERS

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.,
Chartered Accountants.

WILLECHO MINES LIMITED

Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1967

	1967 \$	1966 \$
REVENUE FROM PRODUCTION	4,592,789	5,071,400
Less: Marketing, smelting and refining charges	1,526,773	1,640,036
	<u>3,066,016</u>	<u>3,431,364</u>
EXPENDITURE:		
Development	177,672	116,249
Mining	1,242,955	1,173,441
Milling	494,176	428,859
Mine office administration and general	380,716	340,060
	<u>2,295,519</u>	<u>2,058,609</u>
PROFIT BEFORE THE FOLLOWING	<u>770,497</u>	<u>1,372,755</u>
Deduct:		
Head office administration and general	19,976	1,488
Mortgage interest	30,914	36,429
Ontario mining tax	13,234	42,700
Preproduction and deferred development expenditures written off	230,452	198,114
Provision for depreciation	274,078	260,162
	<u>568,654</u>	<u>538,893</u>
NET EARNING FOR THE YEAR	201,843	833,862
RETAINED EARNINGS — BEGINNING OF YEAR	1,110,035	276,173
RETAINED EARNINGS — END OF YEAR	<u>1,311,878</u>	<u>1,110,035</u>

WILLECHO MINES LIMITED

Statement of Source and Use of Funds

For the Year Ended December 31, 1967

	1967 \$	1966 \$
SOURCE OF FUNDS:		
Net earnings for the year	201,843	833,862
Add: Charges not requiring cash outlay —		
Provision for depreciation	274,078	260,162
Preproduction and deferred development expenditures written off	230,452	198,114
	<u>706,373</u>	<u>1,292,138</u>
 USE OF FUND:		
Federal special 5% refundable tax	21,197	21,160
Additions to fixed assets (net)	217,656	67,313
Deferred expenditures	300,873	268,456
Repayment of mortgage	12,500	8,805
Repayment of advances to Willroy Mines Limited	169,421	926,429
	<u>721,647</u>	<u>1,292,163</u>
 DECREASE IN WORKING CAPITAL	<u>15,274</u>	<u>25</u>
 WORKING CAPITAL — BEGINNING OF YEAR	221,102	221,127
Decrease in working capital	15,274	25
 WORKING CAPITAL — END OF YEAR	<u>205,828</u>	<u>221,102</u>

WILLROY MINES LIMITED

MANITOUWADGE ONTARIO



